

May 2013 Update

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Murray Goulburn & Norco announcements



ADF welcomed the recent announcement by Murray Goulburn Co-operative and Norco of private label milk contracts with Coles in New South Wales, south east Queensland and Victoria from mid-2014.

Norco's contract will be for five years. Murray Goulburn's contract is for ten years and will include the relaunch of Devondale branded fresh milk and the investment of \$120 million in two "state-of-the-art" milk processing plants in Melbourne and Sydney.

As ADF President Noel Campbell said at the time - "The most important thing here is the reassurance by Murray Goulburn and Norco that the farmers supplying these contracts will see an increased farm gate return from July 2014."

ADF has noted reports that Coles secured the contract at a rate of 10 cents per litre less than the previous contracts. ADF will liaise with those involved to understand any efficiencies achieved that would counter this being simply another impact on a value chain already suffering erosion in value.

At the same time ADF will discuss the importance of sourcing milk locally, particularly in south east Queensland and New South Wales.

The creation of two new milk processing plants is a positive sign of processor innovation and long term commitment, both vitally important factors in driving farmer confidence to invest on-farm.

ADF welcomes the duration of Coles' commitment with Murray Goulburn and Norco respectively, recognising that long term contracts at the retail level in turn give milk processors the option to provide longer term contracts to dairy farmers.

As always ADF encourages all Australians to buy branded milk to best support Australian farmers.

We will continue to monitor farm gate returns for farmers supplying fresh milk contracts. It is sincerely hoped that these arrangements, and others like these, flow through as expected to farmers' bottom line as milk priced at \$1 per litre is simply unsustainable.

Contact: David Losberg

Government Farm Finance Package

Australian Dairy Farmers (ADF) has welcomed the Government's announcement of support and assistance for farmers struggling with acute levels of debt due to factors such as the high dollar, depreciation of land values, supermarket price wars, floods and dry conditions as a step in the right direction.

Parliamentary Secretary Sid Sidebottom congratulated ADF on its key role in securing this package, praising ADF on its vigilant and effective lobbying efforts on behalf of dairy farmers.

The Farm Finance package consists of four measures:

- Concessional loans to help restructure debt and invest in productivity;
- Extra rural financial counsellors to work directly with farm businesses;
- Progressing a nationally consistent approach to debt mediation across the country; and
- Enhancing the Farm Management Deposits Scheme.

ADF President Noel Campbell said, "It is pleasing to see the Government has listened to ADF and other allied farmer organisations on the debt situation faced by some dairy farmers and acted with the Farm Finance package."

Contact: David Losberg



Meetings with Members of Parliament

President Noel Campbell, CEO Natalie Collard and Senior Policy Officer David Losberg met with Members of Parliament, John Cobb, Greg Hunt and

Sid Sidebottom to discuss matters including the upcoming election priorities. Further meetings with Parliamentary Ministers to discuss the election will take place in May.

Contact: David Losberg



Australian Dairy Industry Council Inc.

Election on the menu at ADIC Business Breakfast

The Australian Dairy Industry Council (ADIC) held our first Business Breakfast of the year on 4th April at Atlantic Group on the Docklands in Melbourne. Attended by over 50 key industry leaders, the focus of the Breakfast was the upcoming Federal Election, and was noted by many to be a great success. ADIC Chairman, Noel Campbell, and Deputy Chairman, Robert Poole, led the discussion on the ADIC election policy priorities.

The Business Breakfast was a great opportunity to present the platform for consultation and feedback with the wider dairy industry.

A Federal Election document incorporating the feedback from the Breakfast has been endorsed by the ADIC Board. The ADIC, ADF and ADPF will use this document in upcoming discussions and meetings with key politicians, staff, departments, key party officials and any forums providing an opportunity to present our dairy industry policy priorities for the election. The document is available at www.australiandairyfarmers.com.au

The dairy industry is now in a strong position to argue its case moving forward.

Contact: Natalie Collard

National Farmers Federation Delegation visit to Japan

ADF President Noel Campbell was a member of a National Farmers' Federation delegation to Japan recently. The delegation included NFF President Duncan Fraser, CEO Matt Linnegar and General Manager Policy Tony Mahar, together with John Eastburn (GrainGrowers Ltd) and Andrew McCallum (Meat & Livestock Australia).



The visit was organised in conjunction with the Australia-Japan Foundation, which focuses on improving the understanding and exchange of information on the shared challenges and opportunities.

Mr Campbell pressed home the importance of Japan to the Australian dairy industry as our number one export market. He also emphasised that we view a successful Free Trade Agreement with Japan as a key priority and that the

industry does not want to see an FTA delayed simply because Japan has joined the TPP.

As part of the visit Mr Campbell also presented on the Australian experience of deregulation of the dairy industry. Mr Campbell also spoke at a dairy seminar organised by Dairy Australia in Tokyo to a wide range of dairy industry stakeholders.

The delegation also met with key members of the Japanese Parliament (or DIET) with responsibility for agricultural trade and economic partnership. This meeting provided valuable insights into the views of the government on trade relationships between the countries.

Contact: David Losberg

Manning Valley Dairy Farmers agreement with Woolworths

Late in March a direct contracting agreement between a group of seven dairy farmers from the Manning Valley in New South Wales and Woolworths was announced. The arrangement required approval by the Australian Competition and Consumer Commission (ACCC) for the farmers to collectively bargain with Woolworths and Milk2Market, a broker of milk.

Approval was subsequently given by the ACCC and ADF's submission to their consultation process which can be found at <http://transition.accc.gov.au/content/index.phtml/itemId/1107132/fromItemId/815577/display/submission>

ADF welcomes the initiative shown by the farmers in the pilot to explore innovative supplier arrangements.

ADF will be monitoring the farmer/retailer relationship closely and the long-term impact of direct contracting on farmers across Australia.

Direct contracting between retailers and dairy farmers, introduced in the United Kingdom over a decade ago, led to mixed results, with only a small minority benefiting from the arrangement.

The concentration of retail power in Australia is much greater than in the UK. For this reason the ADF will continue to monitor this announcement, not only for farmers in NSW, but for its potential impact on farmers across Australia.

ADF will continue to look at ways to work with the major retailers and believes that a Code of Conduct and Ombudsman (with teeth) that covers the entire value chain and balances retail market power is even more important in the context of Woolworth's latest announcement.

ADF is happy to work with the major retailers to come to a solution on milk priced at \$1 per litre but this move is yet another sign that the current situation is unsustainable for dairy farmers across Australia.

Contact: David Losberg

Cattle Welfare Standards and Guidelines

Submissions on the draft Cattle Animal Welfare Standards and Guidelines were due on 6 May 2013, however the public consultation period has been extended to COB 5 August 2013.



The draft Standards and Guidelines for beef and dairy cattle were developed in consultation with State and Territory governments, industry organisations and animal welfare groups. The development of these Standards is an important part of the Australian Animal Welfare Strategy, and following Ministerial endorsement will replace the Model Code of Practice for the Welfare of Cattle (2004). The Standards provide a basis for developing and implementing consistent legislation and enforcement across Australia and provide guidance for all people responsible for cattle.

Detailed analysis of the welfare benefits and costs impacts of the standards has been included in the Regulatory Impact Statement (RIS). This also includes additional options proposed by the RSPCA. Further information and copies of the draft Standards and Guidelines and RIA may be accessed via the website <http://www.animalwelfarestandards.net.au>

A dairy industry submission supporting the proposed standards is being finalised by ADF with support from Dairy Australia. ADF has also been working with State Dairy Farmer Organisations to encourage submissions and to make representations to state Ministers.

Contact: Kevin Shiell

Foot and Mouth Disease Policy

An AUSVETPLAN Dairy Enterprise Manual has been developed by Dairy Australia in consultation with ADF to assist the dairy industry response in the event of an FMD outbreak. The manual addresses risk in the management of milk in an FMD outbreak and embraces the revised FMD disease strategy incorporating vaccination as a control option. The manual was finalised by the ADF AH&W Advisory Group, and endorsed out of session by the ADF National Council and Board. It has since been forwarded to DAFF for consideration.

Contact: Kevin Shiell

Dairy Heifer Exports

A joint project has been initiated by MLA/LiveCorp Livestock Exports Program with support from Dairy Australia on the safe exporting of dairy heifers. The project focuses broadly on the dairy live export trade with an emphasis on animal welfare, as well as the economic drivers, prospects, potential issues that may arise and the options to address identified risks.

Contact: Kevin Shiell

Residues Update

In June 2010, ADF and DA in co-operation with the DPI Victoria and Victorian bobby calf meat processors initiated the Veterinary Investigations Residue Management (VIRM) project to improve understanding of the risk factors contributing to positive screening tests and violative levels of antibiotic residues in bobby calves sold for slaughter.

VIRM engages the farm's own veterinarian (as they are the primary source of animal health advice and antibiotics), to provide an analysis of the enterprises calf rearing practices and antibiotic residue risk management strategies. These consultations follow on from when a potential residue has been detected by a positive MIT screening test result.

Most farmers contacted by DA readily agree to a veterinary consultation. Farmers receive a written report from their veterinarian, with specific recommendations. If the case involves a violation the recommendations with the farmers consent, are provided to the farm's food safety QA auditor for follow up at the next on-farm QA audit.

Risk factors identified in investigations have been collated and analysed and used to refine extension messages that target high-risk practices.

Results from the VIRM investigations) completed to January 2013 indicate that most residue incidents result from accidents or poor management practices and not from deliberate actions. Veterinary follow-up on violations has been well received. The use of oral antibiotics for treatment of scours and accidental cross-contamination of feeding or medicating equipment are the most commonly identified risk factors. To date no farm investigated has had a repeat detection. The percentage of calves with violative residues has continued to decline over time, but remains an ADF priority.

Contact: Kevin Shiell

ADF welcomes a second Senior Policy Manager

ADF is pleased to announce the appointment of Irene Clarke to the ADF team as Senior Policy Manager. Irene comes to ADF with a strong background in strategy, management and statutory planning, having worked across NZ local and central government and the private sector with a focus on environment, policy and regulation. Irene's most recent role was Manager Environment and Regulation at the NZ Local Government Association.

Contact: Natalie Collard

ADF farewells Maria Spizzirri

ADF has bid farewell to Maria Spizzirri who commenced work with ADF in March 2012. Maria worked as a Business Program Manager, working across many facets of the company including the annual review process, coordinating and implementing policies, ensuring compliance with industry standards



as well as monitoring the budget and developing reports. Maria made an incredible contribution to the ADF and she will be greatly missed. We wish her all the best for her future endeavours.

Contact: Natalie Collard

MEETINGS HELD IN APRIL:

ADIC Board meeting

The Australian Dairy Industry Council Board meeting was held on 3rd April. Topics of discussion included the Federal Election platform plus updates on the policy and investment plan.

ADF National Council meeting

The National Council meeting was held on 3rd April. Topics of discussion included the Federal Election platform, proposed AFL Farmers Tribute Match and the PAG and state member updates.

ADF Board meeting

The ADF Board meeting was held on 4th April. President, Noel Campbell and CEO, Natalie Collard presented their updates, which was followed by discussion on governance matters, external relations, membership and PAG updates.

Woolworths meeting

ADF President Noel Campbell and CEO Natalie Collard met recently with key executives from Woolworths in mid-April and discussed the direct contracting pilot between Woolworths and the Manning Valley dairy farmers and other issues relevant to the dairy industry.

Australia and New Zealand Dairy Cooperative Leaders Forum

On 15th and 16th April, President Noel Campbell and CEO, Natalie Collard, attended the Australia and New Zealand Dairy Cooperative Leaders Forum, a series of seminars and presentations to address methods for effective leadership and strategy. The event brought many representatives from the industry together to discuss future challenges and risks, trade policy developments and opportunities for the dairy industry.



Dairy Australia Constitutional Review

Dairy Australia (DA) has commenced a review of its constitution. The purpose of the review is to ensure that the DA processes and governance are fit for DA's role in the dairy industry. The Review Panel has invited submissions from farmers and industry groups on how the constitution can be improved. Submissions are due by 17 May 2013.

We encourage all members to make a submission to the review as it is an important opportunity to have a say on the future structure and operation of DA. Aspects of the constitution being considered in the review include DA

engagement and strategic planning, and the form of the DA Board. ADF is preparing a submission under the guidance of a subcommittee of the ADF Board. ADF members were invited to comment on a draft submission. The final submission will be available on the ADF website when it is lodged in mid May. Further information about the review and how to make a submission is available here:

<http://www.daconstitutionalreview.com.au/>

Udderly Fantastic

With all that is happening in our industry, why not join Udderly Fantastic?



The site now has over 1,200 members and over 250 blog posts uploaded by dairy people, for dairy people.

Udderly Fantastic is a secure website and a great way to share your stories, photos and discuss the many different issues currently facing the dairy industry. Join up to find out more!

Contact: Sarah Chahine



Setting targets for the Dairy Industry Sustainability Framework

Sustainability Framework for the Dairy Industry was endorsed in December 2012. The Framework sets the goals and objectives across three themes: enhancing livelihoods, improving wellbeing, and reducing environmental impact.

A detailed plan for implementing the framework is now being prepared. The next step is to agree targets to measure achievement of the objectives. A Steering Committee is overseeing the delivery of the Framework and reports to ADIC. Representatives on the Committee include ADF, ADPF, ADIC, farmers, processors and Dairy Australia.

Draft targets are being prepared for consultation with an external consultative forum and the wider dairy industry. The purpose of the consultation is to get input on the targets and to help shape draft targets into finalised targets.

Targets will be specific and measurable. A cost benefit analysis will be completed for the draft targets to ensure they are appropriate measures. The targets may reflect accepted practice for example "provide a safe work environment for all dairy workers with 100% on-farm and processor employees completed OH&S training and zero workplace fatalities". Or the targets may reflect a push for the industry where new programs or actions will be required to achieve the target for example "increase the future competitiveness and profitability of the Australian dairy industry through an x% increase in farm profitability by 2020 on 2012 levels".

The external consultative forum will include representatives from consumers, suppliers, service providers, government agencies and peak non-government organisations. The involvement of stakeholders will help in achieving a strategy recognised by the wider community as a positive contribution by the dairy industry. Consultation on draft targets will take place during May and June. The Steering Committee will meet in July to consider the feedback from consultation and agree on the finalised targets.

Contact: Irene Clarke



Superannuation announcement

From 1 July 2013, Australian employers will have new superannuation obligations under a range of super reforms. Start preparing now to make sure you are ready on time.

The first round of changes will focus on the compulsory super contributions employers make on behalf of their eligible employees, known as super guarantee.

From 1 July 2013:

- i) The compulsory super guarantee rate will rise from 9% to 9.25%, meaning employers will need to increase the rate of the super guarantee payments they make on behalf of their employees to a minimum of 9.25%.
- ii) The existing upper age limit for employee super guarantee eligibility will be removed. This means employers will need to start making super guarantee payments for eligible employees who are 70 years or over.

The super guarantee rate is set to gradually increase every year until it reaches 12% by 1 July 2019.

Start date	Super guarantee rate
1 July 2013	9.25%
1 July 2014	9.50%
1 July 2015	10%
1 July 2016	10.50%
1 July 2017	11%
1 July 2018	11.50%
1 July 2019	12%

Employers need to ensure their payroll and accounting systems are able to cater for the gradual increase in the super guarantee rate and removal of the upper age limit.

If you have 19 or fewer employees you can register for the Small Business Superannuation Clearing House. It is a free service that lets you pay your superannuation contributions in one transaction to a single location. Register at <http://www.humanservices.gov.au/business/services/medicare/small-business-superannuation-clearing-house>.

Over the next few months we'll be providing you with information about the other changes to super that affect you as an employer, including the new data and e-commerce standard (which will reduce the time it takes to process super contributions and lower transaction costs by providing a consistent, reliable electronic method of making contributions) and MySuper (a new, simple and cost-effective super product that will replace existing default products).

In April, we will send you information on all of the reforms and a checklist of the changes you need to make and when you need to make them.

For information about all of the super reforms now, go to ato.gov.au/employersuper



ADF Membership

Have you become a member of ADF? Any dairy farmer who is a member of their State dairy body may join ADF at no additional cost.

Dairy farmers can now communicate with ADF directly on national issues, attend ADF annual general meetings and will be able to vote on the election of Business Directors.

Further information regarding ADF membership can be found at the ADF website www.australiandairyfarmers.com.au

We encourage all dairy farmers to join ADF by simply downloading the Membership Form on our website, completing and returning the form to the ADF office.

Contact: Natalie Collard